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**COUNTY OF LOS ANGELES
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March 13, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

A handwritten signature in cursive script, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES' YOUTH
DEVELOPMENT SERVICES DIVISION – PHASE I REPORT (Board
Agenda Item 51-B, June 14, 2011)**

We have completed the June 14, 2011 Board directive to review the Department of Children and Family Services' (DCFS) Youth Development Services Division (YDS). YDS operates the Transitional Housing Program (THP) to provide housing, food, and transportation allowances, and other assistance to emancipated foster youth, 18 to 21 years old, who are homeless or may become homeless. YDS also contracts with private agencies to operate the Transitional Housing Program Plus (THP Plus) and Transitional Housing Placement Program (THPP) programs, which provide similar services and support to current/former foster youth.

The Board directive was based in part on a theft of funds from YDS' THP participants by a County employee who is now deceased. As indicated in our July 13, 2011 status report, because of the number of programs administered by YDS, this report covers the THP, THP Plus, and THPP Programs. We will review YDS' Independent Living Program (ILP) and Administrative Support sections in the second phase of our review.

Summary of Findings

Our review did not disclose any other instances of fraud involving Program participants' funds. However, we did note that YDS management needs to improve its controls over

participant savings, and that DCFS needs to ensure that YDS and contractors comply with Program requirements.

The following are examples of areas for improvement:

- **YDS needs to improve its controls over the THP Trust Fund**

Youth enrolled in THP are required to work and save 50% of their earnings. YDS deposits the participants' savings into the THP Trust Fund, and returns the money to the participants when they leave the Program to help them become more independent.

As of October 31, 2011, the THP Trust Fund had a balance of approximately \$155,000. Approximately \$17,000 of the balance was savings collected from 475 former THP participants, and interest on the savings. While YDS has determined the amounts owed to each of the 475 participants, they have had limited success locating them, since many left the Program up to ten years ago. The Trust Fund also includes \$19,000 in savings and interest from an unknown number of prior THP participants who may have also left the Program over ten years ago, or more.

While deposits and interest should have been paid out to participants when they left the Program, some participants may have left unexpectedly, without providing new contact information. It is also possible that YDS did not allocate, or did not accurately allocate, interest to the Program participants. Based on our recommendation, YDS has been reviewing past case files, and attempting to identify/locate the participants who are entitled to these funds. For the past several months, DCFS has made some progress in identifying/locating some participants who were owed money. However, since some participants left the Program up to ten years ago, and many had unsettled living situations at the time, locating them is extremely difficult. Given the difficulty in locating participants, and the relatively low dollar amount that may be owed to them, we have recommended that DCFS set a date to stop searching for participants, and transfer the remaining funds to the Treasurer and Tax Collector (TTC) for disposition, as required by State law and the County Fiscal Manual.

We also noted that YDS did not comply with all of the new controls that were implemented after the theft. For example, THP staff did not mail copies of Trust Fund ledgers to all participants to assist them in verifying their account balances.

DCFS' response (attached) indicates they will set a date to complete their search for participants, and transfer the remaining funds to the TTC. DCFS also moved the YDS accounting function to the centralized DCFS Finance Section to strengthen internal controls. DCFS will also review and update THP fiscal procedures, and

provide training to staff to ensure they comply with THP fiscal procedures and the County Fiscal Manual.

- **THP needs to ensure they do not pay for excess vacant apartments for extended periods**

THP leases a number of apartments for Program participants. While it is appropriate for THP to have extra apartments available for youth who need a place to stay immediately, we noted that THP paid a total of \$31,638 in rent for seven apartments that were vacant for an average of seven months.

DCFS' response indicates they immediately terminated all vacant apartments, and have established policies and protocols to prevent this from occurring in the future.

- **THP staff needs to ensure participants comply with Program requirements**

THP participants are required to work full-time, or work part-time if they are attending school full-time. Eight (80%) of ten participants reviewed were not meeting the employment/education requirement, including two participants who did not work or attend school at all during their stay in the Program. It appears THP staff did not take action to address these issues.

DCFS' response indicates THP Case Managers will be required to complete a monthly program compliance report for each participant, which will be reviewed by YDS management. YDS will then take appropriate action with participants who do not comply with Program requirements.

- **YDS needs to ensure that contractors comply with all Program requirements**

YDS uses contract agencies to operate the THP Plus Program for participants 18 to 23 years old, and the THPP Program for participants 16 to 18 years old. We noted that the contractors did not always comply with the Programs' requirements. For example, similar to THP, the THP Plus and THPP contractors are required to set money aside for each participant. However, we noted that some of the contractors did not set aside the correct amounts, did not always document funds accurately, and/or did not pay the appropriate interest on the participants' funds.

DCFS' response indicates they will meet with all contractors to discuss our findings and recommendations. YDS will also revise its monitoring instrument to ensure that it includes all requirements. YDS management will then review the monitoring results monthly to ensure that staff and contractors take appropriate action.

- **YDS needs to ensure that contractors meet their performance targets**

The THP Plus and THPP programs require the contractors to meet certain targets (e.g., 75% of participants obtain high school diplomas, 90% of participants obtain full-time employment before leaving the Program, etc.). We noted that some of the contractors did not report their results, or did not meet these requirements. For example, 45% of the THP Plus contractors did not report their performance on the employment target, and the contractors who did respond indicated that, on average, only 21% of the participants had full-time employment when they exited the Program.

DCFS' response indicates they will monitor contractor's performance on an ongoing basis, and work with contractors who are not meeting their targets.

Review of Report

It should be noted that YDS management was extremely open with us during our review, and brought many potential issues to our attention. In addition, YDS and DCFS management were very proactive in taking corrective action on areas for improvement we discussed with them during our review.

We discussed our draft report with DCFS management on January 24, 2012. The Department's response (Attachment II) indicates agreement with our findings and recommendations. DCFS' response also describes the corrective actions they have taken, or plan to take, to address the recommendations in our report.

We thank DCFS and YDS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:YK

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Mark J. Saladino, Treasurer and Tax Collector
Public Information Office
Audit Committee

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION – PHASE I
TRANSITIONAL HOUSING PROGRAMS**

Background

The Department of Children and Family Services (DCFS) Youth Development Services Division (YDS or Division) provides services to current/former foster youth to help them transition to independent living. YDS Programs provide housing, food and transportation allowances, and other assistance. YDS has 118 employees, and an annual budget of approximately \$16 million. The Division provides services to approximately 4,815 participants a year.

YDS has three major sections: Housing Services, Independent Living Program (ILP), and YDS Administrative Support (YDS Admin). Housing Services provides housing and utilities, counseling, and food and transportation allowances. ILP provides financial assistance for tuition/education, clothing, rent, food, and transportation to qualifying youth. YDS Admin is responsible for processing assistance payments and services to participants.

Scope

Our Phase I review focused on YDS' Housing Services section. Our review included evaluating controls over the Transitional Housing Program (THP) Trust Fund, where a theft of participants' funds occurred; reviewing a sample of participant case files; interviewing YDS and contractor staff and management; and surveying Program participants. We will review the ILP and YDS Admin sections in the second phase of our review.

COMMENTS AND RECOMMENDATIONS

Transitional Housing Program (THP)

The THP provides housing, food and transportation allowances, and other assistance to emancipated foster youth, 18 to 21 years old, who are homeless or may become homeless. THP case workers also provide Life Skills training to participants on work, school, money management, etc. Participants can stay in the Program for up to 18 months (12 months, plus up to two three-month extensions).

THP has 22 staff, including eight case workers and a Housing Services Program Director. THP's Fiscal Year (FY) 2011-12 budget is approximately \$1.6 million. As of November 2011, THP had 145 participants in 87 apartments and other housing.

THP Trust Fund

Trust Fund Balance

THP participants are required to work full-time, or work part-time and attend school. Participants are also required to save 50% of their earnings. The money is supposed to be deposited into the THP Trust Fund, and returned to the participants with interest when they leave the Program. Since THP pays for the participants' housing, food, transportation, etc., the savings requirement helps participants develop money management skills, and provides them with money to help them become more independent when they leave the Program. As of October 31, 2011, the THP Trust Fund balance was approximately \$155,000.

In September 2011, the Auditor-Controller's (A-C) Office of County Investigations (OCI) verified allegations that a deceased THP case worker had taken approximately \$17,400 from THP participants' funds by taking part of their earnings, and not depositing it into the THP Trust Fund. OCI's investigation found that this was an isolated incident, and that no other funds had been taken.

We reviewed YDS' controls over the THP Trust Fund. Our review did not disclose any other thefts. We did note that approximately \$36,000 of the \$155,000 in the THP Trust Account was in a "suspense" account. Approximately \$17,000 of the suspense account was savings and interest on savings from 475 former THP participants. While YDS has been able to identify how much is owed to each of the 475 participants, they have had limited success locating the former participants since many left the Program up to ten years ago. The remaining \$19,000 in the "suspense account" consists of savings and interest from an unknown number of prior THP participants, who may have left the Program over ten years ago, or more.

The deposits and interest in the suspense account should have been paid out to participants when they left the Program. However, some participants may have left unexpectedly, without providing new contact information, and it is possible that YDS did not allocate, or did not accurately allocate, interest to the Program participants. Based on our recommendation, YDS has been reviewing past case files, and attempting to identify/locate the participants who are entitled to these funds. For the past several months, DCFS has made some progress in identifying and locating some participants who were owed money. However, since some participants left the Program up to ten years ago, and many had unsettled living situations when they left, locating them is extremely difficult. Given the difficulty in locating participants, and the relatively low dollar amount that may be owed to them, we have recommended that DCFS set a date to stop searching for participants, and transfer the remaining funds to the Treasurer and Tax Collector (TTC) for disposition, as required by State law and the County Fiscal Manual (CFM).

YDS should also work with the A-C's Accounting Division to ensure interest is properly allocated and paid to THP participants in the future.

Recommendations

DCFS management:

1. **Set a date to stop searching for THP participants who may be entitled to the "suspense" account monies, and transfer the remaining funds to TTC for disposition.**
2. **Work with the A-C Accounting Division to ensure interest is properly allocated and paid to THP participants in the future.**

Use of Suspense Account Funds to Cover Shortages

CFM Sections 2.1.2 and 2.3.2 require departments to ensure that trust funds are used only as intended, and to notify the A-C when shortages occur.

YDS used the THP Trust Fund suspense account to cover shortages, resulting from accounting errors, lost checks, etc., without notifying the A-C. For example, when a participant left the Program, and was overpaid due to an accounting error, this resulted in a shortage in the Trust Fund. YDS did not notify the A-C. Instead, YDS used the suspense account funds to cover the shortage. In another instance, YDS used the suspense account balance to cover the loss when a case worker claimed that a youth's savings check was stolen. DCFS should ensure that YDS uses the Trust Fund as intended, and notify the A-C if any shortages occur.

Recommendation

3. **DCFS management ensure that YDS uses the THP Trust Fund only for its intended purpose, and notify the A-C if any shortages occur.**

THP Accounting

The THP Accounting unit is responsible for depositing participant savings, allocating interest, and issuing payments for the THP Trust Fund. At the time of our review, THP Accounting was also responsible for updating and reconciling the Trust Fund ledgers, and controlling gift cards, bus passes, and other cash equivalent items. THP Accounting has four staff.

Internal Controls

After the THP fraud, YDS management implemented new controls over the THP Trust Fund. We reviewed THP Accounting's compliance with the new procedures and the

CFM. We noted a number of instances where THP Accounting was not complying with the new control requirements. For example, THP Accounting did not send Trust Fund ledgers to all participants, so they could verify their account balances, as required by the revised procedures. Specifically, THP did not send ledgers to participants who had a \$0 balance. We also noted that THP left deposits that were received in the mail unattended in the mailroom, accessible by all YDS staff; had only one person open deposits received in the mail; and did not review THP savings deposit receipts daily to ensure all receipts were accounted for.

YDS management immediately began taking action to ensure staff comply with THP fiscal procedures and CFM requirements when we advised them of these issues.

It appears that some of the non-compliance issues noted in our review may be due to YDS management not having sufficient accounting/fiscal expertise to oversee THP Accounting. In addition, it did not appear that there was a business need for THP to have a separate accounting unit. We discussed these issues with DCFS management. Subsequently, DCFS management transferred the THP Accounting oversight responsibilities to DCFS Central Finance.

Recommendation

- 4. DCFS management ensure DCFS and YDS staff comply with THP fiscal procedures and the CFM.**

Controls over Gift Cards and Bus Passes

In FY 2010-11, YDS purchased approximately \$387,000 in gift cards, bus passes, and other cash equivalents for THP participants. The gift cards are issued to participants so they can purchase food and other necessities.

We noted that THP did not have all required controls over the gift cards and bus passes. For example, THP staff did not keep a perpetual inventory record of bus passes; did not inventory gift cards and other negotiable items in the safe every six months; and did not have adequate separation of duties over these items. Based on our review of YDS' gift card logs and inventory, 62 gift cards, totaling \$1,550, appeared to be missing.

In addition, we noted that THP had 34 outdated/unneeded gift cards, totaling approximately \$800, some of which were purchased in 2005, that were no longer being used by the Program. DCFS instructed all units to return gift cards like these to the Department's headquarters after our August 2007 Procurement review, which identified issues with controls over gift cards in other DCFS units.

Recommendations**DCFS management:**

- 5. Ensure YDS returns outdated/unneeded gift cards to DCFS Headquarters.**
- 6. Ensure YDS maintains all required controls over gift cards and other cash equivalents.**

THP Program Compliance

As noted earlier, the THP requires participants to work, or to work and go to school. THP staff are supposed to ensure the participants meet the Program requirements, and provide them with Life Skills training. We interviewed THP case workers and reviewed ten participant case files, and noted that THP staff did not always comply with the Program requirements. Specifically:

- **THP did not ensure participants met employment requirements** – Eight (80%) of the ten participants reviewed did not meet THP's work/school requirement, including two who did not work or attend school during their stay in THP. Participants who do not meet the work/school requirement are supposed to receive violation notices, counseling, and may be given 30-day notices to leave the Program, etc. We noted that YDS staff did not always follow this requirement.
- **THP may not always provide the required Life Skills training** – When THP case workers provide weekly Life Skills training, they are supposed to document the training in the Department of Housing and Urban Development's (HUD) Homeless Information Management System (HMIS), have each participant sign an attendance sheet, and keep a copy of the attendance sheet in each case file. However, six (60%) of ten case files reviewed did not have all of the attendance sheets. Although some of the training sessions without attendance sheets were documented in HMIS, some of the sessions were not documented in either the case files or in HMIS.
- **THP did not always ensure participants submit savings and/or paystubs** – Two (29%) of seven working participants reviewed did not always make savings contributions, and the case files did not document why this happened. In addition, five (71%) of the seven participants did not always submit their paystubs to their case workers. Without paystubs, the case workers cannot verify the participants are contributing the required 50% of their monthly net income.
- **THP did not have savings contribution receipts** – THP policy requires case workers to keep a copy of receipts for participants' savings in the case files. Although we confirmed that the participants' contributions were deposited into the

THP Trust Fund, four (44%) of nine case files reviewed were missing some savings contribution receipts.

- **THP paid inconsistent food allowances** – THP policy states that participants should get \$200 a month for food. However, participants currently receive only \$150. THP also reduced some participants' food allowance to just \$50 because they also received CalFresh benefits (food stamps), but did not reduce other participants who also received CalFresh benefits. Participants' food allowances are also supposed to be reduced by \$100 if they do not meet the employment or savings requirements, but THP does not enforce this requirement.

THP staff indicated that the food allowance policy is outdated, and there have been a number of "informal" management directives related to the allowance. However, the Policy has not been updated.

- **THP did not ensure participants submit food purchase receipts** – THP policy requires participants to submit receipts for their food purchases. Case workers are supposed to review the receipts to ensure that participants do not purchase inappropriate items (e.g., tobacco, alcohol, etc.), and provide counseling on healthy eating, etc. Seven (70%) of the ten participants reviewed did not submit all of their food purchase receipts.
- **THP did not document why they allowed participants to stay in the Program longer** – THP participants can stay in the Program for 12 months, plus two three-month extensions, for a total of 18 months. THP management indicated they allow the extensions if participants need time to secure permanent housing before they leave the Program. Two (20%) of the ten participants reviewed exceeded the 18-month maximum by two and three months, respectively, without any justification or approval in the case files. THP staff indicated that the approvals are done verbally, and are not always documented.

Recommendations

DCFS management:

7. **Ensure THP participants comply with the employment/education and savings requirements, and take documented action if violations occur.**
8. **Ensure staff document all Life Skills training in the case files and HMIS.**
9. **Ensure staff collect and review paystubs for employed participants each month, verify that participants are contributing the required amount of savings, and keep copies of savings contribution receipts in the case files.**

10. Revise the food allowance policy as necessary, and ensure that the policy is applied consistently to all participants.
11. Ensure case workers collect and review all food purchase receipts, document their review of the receipts, and keep the receipts in case files.
12. Ensure exceptions to the maximum Program time are justified, approved, and documented in case files.

THP Caseload

We reviewed the THP caseload from March through September 2011, and noted the workload was not evenly distributed among the two Supervising Children's Social Workers (SCSW) and the eight case workers. For example, one SCSW oversees five case workers who oversee an average of 104 participants (21 participants per case worker), while the other SCSW oversees three case workers who oversee 38 participants (or 13 participants per case worker). We noted that one case worker had 13 participants per month, while another case worker averaged 24 participants.

We discussed these results with the Housing Services Program Director, who indicated he would review the caseload distribution, and make any necessary adjustments.

Recommendation

13. DCFS management review THP caseload distribution, and make any necessary adjustments.

THP Property Management

THP's Property Management section (Property Management) is responsible for renting apartments for THP participants. Property Management keeps an inventory of rented apartments available so they can move Program participants in quickly to prevent them from becoming homeless.

While it is reasonable for THP to have unoccupied apartments available, it appears that they need to monitor the number of unoccupied units. We noted that THP paid approximately \$31,638 in rent for seven apartments, which were vacant for an average of seven months, including \$7,875 for one apartment that was vacant for nine months.

We also noted that THP Property Management did not always complete the Apartment Inspection Approval Form, before leasing apartments, to document that the apartments met HUD requirements.

Recommendations**DCFS management:**

- 14. Monitor THP apartments to identify apartments that have been vacant for extended periods, and terminate leases as appropriate.**
- 15. Ensure staff complete all sections of the Apartment Inspection Approval Form.**

THP Progress Reports

THP is partly funded by HUD grants (five grants are administered by the Los Angeles Homeless Services Authority (LAHSA) and five are funded directly by HUD). LAHSA requires YDS to submit an annual report on Program outcomes (e.g., number of participants exiting to permanent housing, participants employed at exit, etc.) for each grant.

We noted some minor discrepancies in YDS' reports to LAHSA. For example, one report indicated there was a THP participant with a developmental disability, but YDS staff indicated that they did not have any participants with the disability. In addition, one progress report section, for one grant, indicated 16 participants exited the Program, but another section indicated 17 had exited. We noted similar inconsistencies in the five progress reports we reviewed.

Some of the information in the progress reports is generated from HMIS. YDS reporting staff indicated that the inconsistent information could be due to inaccurate data entry in HMIS, or programming errors when data is extracted from HMIS.

Recommendations**DCFS management:**

- 16. Require THP staff to review all annual progress reports to ensure accurate information is reported to LAHSA.**
- 17. Determine the cause for the reporting errors and take corrective action as necessary.**

Other YDS Housing Programs – THP Plus and THPP

YDS uses contractors to operate the Transitional Housing Program Plus (THP Plus) and the Transitional Housing Placement Program (THPP). These programs are similar to THP, but differ in participants' ages, amount of participant savings, frequency of in-person visits, etc. THP Plus participants are 18 to 23 years old. They are required to

work, or work and go to school, and to save some of their earnings. THPP participants are 16 to 18 years old. Because THPP participants are under 18 and in school, they are not required to work, and do not make savings contributions. However, THPP contractors are required to save \$100 a month for each participant from the monthly payments the contractors receive from DCFS.

We interviewed contractor staff, and reviewed a total of 20 case files at five THP Plus contractors, and a total of ten case files at two THPP contractors. We noted a number of instances where the contractors were not complying with the Programs' requirements, and instances where benefits paid to participants were not documented.

Transitional Housing Program Plus (THP Plus)

The Transitional Housing Program Plus (THP Plus) is a 24-month program, that provides housing, food and transportation allowances, and case management services to emancipated foster youth 18 to 23 years old, who are homeless or may become homeless. THP Plus participants are required to work, or attend school and work part-time, and save 30-50% of their earnings each month for deposit with the Program contractors, to be saved until the participants leave the Program. THP Plus participants receive many of the same benefits as THP participants.

YDS has 12 THP Plus contractors who serve 110 participants. The contractors are paid \$2,200 per month per participant. The contractors are required to give each participant a \$150 monthly food allowance, and a bus pass if the participant does not have their own transportation. In addition to the participants' savings, the contractors are required to save \$50 per month from the monthly payment the contractors receive from DCFS for each participant in an interest-bearing savings account. YDS has a THP Plus County Program Manager (CPM) who oversees the contractors to ensure they comply with Program requirements.

THP Plus Program Compliance

We reviewed case files for 20 current/exited THP Plus participants at five contractors, and noted the following:

- **Savings and benefit/allowance documentation** – THP Plus contractors are required to keep a Monthly Income and Savings Log for each participant. The participants must sign the log each time they make a savings contribution, or receive their food allowance or bus pass, etc. We noted that seven (35%) participants' savings contributions, totaling \$4,310, were not documented in the logs, but were documented in the savings account records. In addition, 48 (48%) of 99 bus passes issued by the contractors were not documented in the logs.

We also noted that four (20%) of 20 case files reviewed were missing some of the Monthly Income and Savings Logs. As a result, we could not confirm if some of the

participants had made savings contributions, and/or received their allowances. For three (15%) case files, we noted that former participants' signatures for their allowances did not match other signatures in the case files. However, we contacted two of the participants, and confirmed that they received all of their food allowance and bus passes while they were in the Program. We were unable to contact the remaining former participant.

- **Savings payout errors** – When participants exit THP Plus, they receive a check for their savings with interest. We reviewed the checks for the 12 participants who exited the Program, and noted that five (42%) were underpaid by a total of approximately \$1,040. For example, one participant was underpaid \$744 because the contractor did not accurately track the contractor's and participant's savings contributions in a sub-ledger. In addition, one contractor overpaid a participant by \$520 because the contractor paid interest of \$525, when the actual interest was \$5.25.
- **Savings interest rate** – THP Plus contractors are required to pay interest on the participants' savings. However, we noted that the contractors did not always pay interest accurately. For example, one contractor paid 0.10%, in interest, while the savings account only earned 0.05%. Although the amounts were not significant, paying higher interest results in incorrect payments, and could result in shortages in the savings accounts.
- **Food purchase receipts** – THP Plus requires participants to submit their food purchase receipts so that contractors can monitor the food they are buying, and can offer advice on healthy eating, smart shopping, etc. Five (25%) of the 20 case files reviewed did not have all the participants' food purchase receipts. It also appears the contractors do not always review the receipts. We noted a receipt with a tobacco purchase, but there was no indication that the contractor identified the purchase, or took appropriate action with the participant for purchasing a disallowed item.

Some contractors indicated that they have discharged participants for violating Program rules (e.g., purchasing disallowed items, not meeting employment/school requirements, etc.). However, it appears the contractors did not do this consistently.

Recommendations

DCFS management:

18. **Ensure THP Plus contractors document all saving contributions and benefits/allowances on the Monthly Income and Savings Logs, have the participants sign the logs, and document any exceptions (e.g., if a participant could not contribute to savings).**

19. Ensure YDS staff review the THP Plus contractors' Monthly Income and Savings Logs, savings sub-ledgers, and copies of exit checks to ensure youth receive all of their savings when they exit the Program.
20. Ensure that all underpaid THP Plus participants receive their funds.
21. Ensure THP Plus contractors pay actual interest earned on the participants' funds, unless the contractors fund a higher interest rate.
22. Require THP Plus contractors to reimburse the savings accounts for all overpaid interest.
23. Ensure THP Plus contractors collect all food purchase receipts, document their review of the receipts, and take appropriate documented action when participants purchase disallowed items.

THP Plus Performance Targets

THP Plus contractors have 12 performance targets (e.g., number of participants who obtain a high school diploma/GED, participants have permanent housing when they leave the Program, etc.). The contractors are required to submit an annual report of their performance.

We reviewed the latest contractors' reports, and noted that, on average, 65% of the contractors did not meet or did not provide a response to the targets. For example, one target requires that 90% of participants have full-time employment when they leave the Program. We noted that 45% of the contractors did not respond to this target, and the contractors who did respond indicated that, on average, only 21% of the participants had full-time employment when they exited the Program. Another performance target requires 75% of the participants to have a high school diploma or GED by the time they exit the Program. We noted 55% of the contractors did not respond to this target, and the other contractors indicated that none of the participants had met this goal. Out of the 12 targets, all of the contractors reported meeting only one (8%) of the 12 targets. Based on these results, it does not appear the Program is meeting the goal of ensuring that the participants leave the Program ready to be independent.

Recommendation

24. DCFS management ensure THP Plus contractors report their performance for each target, and take corrective action with contractors who do not meet the targets.

Transitional Housing Placement Program (THPP)

THPP is a 24-month program for participants 16 to 18 years old, who are working on their high school diploma or equivalent. THPP participants receive many of the same benefits as THP and THP Plus participants.

YDS has three THPP contractors. The contractors receive \$3,462 a month for each participant. The payment covers rent, utilities, monthly allowance, and the contractors' case management services (e.g., Life Skills training, daily/weekly in-person visits, etc.). THPP currently has 32 participants.

The contractors are required to give each participant a \$520 monthly allowance for food, transportation, clothing, etc., and have participants sign a Monthly Allowance Log to document they received their allowance. The contractors also put \$100 a month from the payments they receive from YDS into a savings account for each participant, until the participants leave the Program. Since THPP participants are not required to work, they do not make savings contributions.

THPP Program Compliance

We interviewed THPP contractor staff, and reviewed a sample of ten current/exited participants' case files at two contractors, and noted the following:

- **Allowance documentation** – One contractor did not have Monthly Allowance Logs (logs) to document that six participants had received their allowances. We were able to contact three of the six participants, who verified they had received all of their monthly allowances, but were unable to contact the other three participants.

At another contractor, three (75%) of the four participants' signatures on the logs did not match the signatures on other documents. We subsequently met with two of the three participants, and they confirmed that they did not sign the logs. Based on their responses, it appears the contractor, or someone else, signed on the behalf of the participants. However, all three participants indicated that they always received their monthly allowances.

The THPP CPM is supposed to review the contractors' logs to ensure that contractors are giving the participants their required allowances. However, we noted that the contractors do not send copies of the logs to the CPM, as required.

- **Savings Proration** – As noted earlier, THPP contractors are required to save \$100 per month for each participant from the payments the contractors receive from YDS. However, the THPP contract does not specify when the contractors should begin saving. The THPP CPM indicated that he requires contractors to prorate the savings (e.g., if participant enters or leaves in the middle of the month, the contractor should save ½ of the \$100.) However, the THP Plus Program contract requires that

Program's contractors save the full amount each month, without prorating. Our review of five case files indicates that the contractors did not always prorate the savings, resulting in \$148 in lower savings for the participants. YDS should revise the THPP contract to address prorating participants' savings to ensure all programs and contractors handle participant savings consistently.

- **Savings interest rate** – Unlike THP and THP Plus, THPP contractors are not required to deposit participants' savings into interest-bearing accounts. The THPP CPM indicated that the contractors "should" use an interest-bearing account. While it is not required, we noted that the THPP contractors do use interest-bearing accounts. However, one contractor did not pay the correct interest rates, and another contractor did not distribute the interest earned to the participants. For example, one contractor paid between 0.11% and 2.1% to different participants, when the savings account only earned 0.05%.

As noted earlier, paying higher interest than the accounts earn could result in a shortage in the other participants' accounts, unless the contractor pays the excess interest. To ensure contractors handle interest earnings consistently, YDS should amend the contract to require contractors to use interest-bearing savings accounts, and ensure contractors pay participants the actual interest earned.

- **Program overstay** – Three (30%) of the ten THPP participants reviewed exceeded the maximum stay of two years, including one participant who stayed for two years and eight months. THPP CPM indicated that the participants can exceed the two-year limit, if they need additional time to secure permanent housing before leaving the Program. However, we did not find justification or approval for any of the "overstays" in the contractors' case files.
- **Food allowance purchase receipts** – THPP requires participants to submit their food purchase receipts so the contractors can monitor their food purchases. However, the contractors did not have all food purchase receipts for eight (80%) of ten case files reviewed. In addition, it appears the contractors do not always review the receipts. For example, one receipt indicated that a participant under age 21 had purchased alcohol, but there was no indication that the contractor identified the purchase, or took appropriate action.

Recommendations

DCFS management:

25. Ensure THPP contractors complete the Monthly Allowance Log, have participants sign the log, and submit a copy to the CPM for review.
26. Require the THPP CPM to conduct documented reviews of the Monthly Allowance Logs, and follow up on any discrepancies.

27. Amend the THPP contract to specify whether contractors should prorate participant savings or save the full amount, regardless of when participants enter/exit the Program.
28. Amend the THPP contract to require contractors to use interest-bearing savings accounts, and ensure contractors pay participants the actual interest earned.
29. Require documented justification and approval for participants to stay in THPP for more than 24 months.
30. Ensure THPP contractors collect all food receipts each month, annotate the receipts to document their reviews, and take appropriate documented action when participants purchase disallowed items.

THPP Performance Targets

THPP has 11 performance targets (e.g., number of participants exiting to affordable housing, participants employed part-time, etc.) for the contractors. The contractors are required to submit an annual report of their performance compared to these targets. However, the THPP CPM indicated that the contractors do not submit these reports, and he does not track the contractors' performance.

Recommendation

31. DCFS management ensure THPP contractors submit the required annual report, and take appropriate action with contractors who do not meet the Program targets.

Contractor Payments

The THPP contracts specify that contractors should be paid from the day the participant is placed in the Program (placement-start date) to one day before the participant leaves the Program (placement-end date).

DCFS uses the Child Welfare Services/Case Management System (CWS/CMS) and Automated Provider Payments System (APPS) to generate contractor payments. DCFS eligibility workers, who are not part of YDS, enter the necessary placement information (e.g., placement-start/end date, payment-stop date, etc.) in CWS/CMS, and APPS generates payments based on information received from CWS/CMS.

During our review, the THPP CPM indicated that there may be contractor overpayments due to inconsistencies between the placement-end dates in CWS/CMS and the placement-end dates the contractors reported to him. We reviewed a sample of 20

payments, and it appears eight (40%) were overpaid. For seven payments, the contractors were overpaid by one day, since the payment-stop date was not one day before placement-end date. In one case, however, a contractor was paid for an entire month when the payment should have been for just two days, due to data entry errors. In total, the contractors were overpaid approximately \$3,600. We could not confirm four of eight overpayments, totaling \$454, because DCFS was unable to provide supporting documentation. DCFS should review these cases and recover overpayments, as necessary.

DCFS staff indicated APPS also issues payments to other contractors (e.g., group homes, foster family agencies, etc.). We noted that CWS/CMS does not prevent staff from entering the same payment-stop and placement-end date, and there is no exception report to identify when this occurs. As a result, there may be other overpayments similar to the ones we found. To prevent and recover overpayments timely, DCFS should develop an exception report to identify payments with the same payment-stop and placement-end date.

Recommendations

DCFS management:

32. Remind appropriate staff that the payment-stop date entered in CWS/CMS should always be one day before the placement-end date, and ensure staff maintain all source documents for data entered in CWS/CMS.
33. Review the cases noted above and recover overpayments as necessary.
34. Develop an exception report to identify payments with the same payment-stop and placement-end date, and review the report on an ongoing basis to prevent and recover overpayments.

Community Care Licensing

THPP contractors are licensed by the State's Department of Social Services, Community Care Licensing Division (CCLD) to "self-certify" that THPP apartments meet the State's Health and Safety Code requirements. After the contractors certify the apartments, CCLD staff inspect the apartments and approve them for THPP participant placements. Participants cannot be placed at an apartment until it is approved by the CCLD.

We noted that one THPP participant was placed at an apartment that was not approved by the CCLD. We also noted four other apartments that THPP had approved for use that had not been approved by CCLD.

Recommendation

35. DCFS management ensure that all THPP apartments are approved by CCLD, and that participants are not placed in any apartments that have not been approved.

THP Plus and THPP Contract Monitoring

As discussed earlier, our review disclosed a number of instances where the THP Plus and THPP contractors were not complying with Program requirements. The Program CPMs are responsible for monitoring the contractors, including annual reviews of contractors' files to ensure they are maintaining all required documentation, and providing the necessary services. We reviewed the THP Plus and THPP contract monitoring process, and noted the following weaknesses.

Savings payout verification

CPMs do not ensure that participants receive their savings when they exit the programs. Specifically, the CPMs do not compare the contractors' monthly allowance logs, participant savings sub-ledgers, and copies of exit checks to verify that participants received the correct amounts. As previously indicated, we noted instances where participants did not receive all of their savings, and the amount of participant savings on the monthly allowance logs did not match the contractors' sub-ledgers.

Recommendation

36. DCFS management require CPMs to review contractors' monthly allowance logs, savings sub-ledgers, and copies of exit checks to verify that participants received all of their savings when they exit the programs.

Inconsistent Contract Monitoring Reporting

In addition to the performance measure issues noted above, YDS monitors the contractors' compliance with other contract requirements. We noted that the contract monitoring for THP Plus and THPP are not consistent, even though the two programs are substantially similar. For example, for THP Plus, the CPM or other staff annually review a sample of contractors' case files, and submit a formal report to the Housing Services Program Manager and the contractors. Each THP Plus contractor is required to submit a corrective action plan, and the CPM conducts documented follow-up reviews.

The THPP CPM does not issue a formal report, receive corrective action plans, or always conduct documented follow-up reviews. The THPP CPM indicated he informally

communicates with the Housing Services Program Manager and the contractors regarding any issues, and their corrective actions. The CPM indicated that he does not have adequate staff to do follow-up reviews of all the contractors.

We also noted that the THPP CPM is not accurately reporting his monitoring results. For example, during our visit to one contractor, we noted that the contractor did not have the required log to track participant's allowances and savings. However, the THPP CPM reported in the monitoring instrument that the same contractor had the log.

In addition, the monitoring instruments, delineating specific areas to review, used by the THP Plus and THPP were significantly different. For example, the THPP monitoring instrument does not include a review of the participant savings, staff education, or insurance requirements, but the THP Plus monitoring instrument does.

Recommendation

- 37. DCFS management ensure the THP Plus and THPP contractor monitoring instruments and monitoring process are consistent, CPMs formally document all identified issues, review contractors' corrective action plans, and conduct documented follow-up reviews.**



PHILIP L. BROWNING
Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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February 16, 2012

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

To: Wendy L. Watanabe
Auditor-Controller

From: Philip L. Browning
Director

A handwritten signature in black ink, appearing to be "P. Browning", written over the printed name and title.

**RESPONSE TO THE A-C REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION,
PHASE I REPORT**

Attached you will find our responses to the findings and recommendations contained in your draft report regarding the Department of Children and Family Services (DCFS) Youth Development Services (YDS) Division. Please note that these responses were previously provided via email to Young Kwon in your office last Friday.

We appreciate the audit staff's professionalism and objectivity during the Phase I review process, and look forward to receiving your final report.

If you need additional information, please contact me or your staff may contact Deputy Director Rhelda Shabazz at (213) 351-5858 or sharbar@dcfs.lacounty.gov.

PLB:RS
HK:lj

Attachment

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
RESPONSES TO THE AUDITOR-CONTROLLER REPORT
YOUTH DEVELOPMENT SERVICES DIVISION – PHASE I REPORT
(BOARD AGENDA ITEM 51-B, JUNE 14, 2011)**

Transitional Housing Program (THP) Findings

NOTE: DCFS has been working with key stakeholders, including the Los Angeles Housing Services Authority (LAHSA), Commission for Children and Families, Commission for Community Development, and Chief Executive Office (CEO) Services Integration Branch, to develop a proposal that will enable LAHSA to assume primary responsibility over all ten Transitional House Program (THP) Housing and Urban Development (HUD) grants and procure community providers to oversee the case management responsibilities currently handled by the DCFS YDS THP staff. If the proposal is implemented, the transfer process is estimated to take between 12 to 18 months to realize.

Recommendation #1: Set a date to stop searching for THP participants who may be entitled to the suspense account monies and transfer the remaining funds to TTC for disposition.

DCFS Response:

We concur.

The YDS Housing Manager will review reconciliation efforts remaining for the suspense account and determine what efforts are needed to meet the search burden (locating past THP participants as far back as 1994) to set new policy and set a stop search date can be determined for the transfer of remaining funds to Treasurer Tax Collector (TTC).

Target date: February 22, 2012

Recommendation #2: Work with the A-C Accounting Division to ensure interest is properly allocated to THP participants in the future.

DCFS Response:

We concur.

The DCFS Finance Assistant initially met with the Auditor-Controller (A-C) on January 18, 2012. Further meetings are necessary to develop a methodology to properly allocate and pay THP youth their savings upon leaving the program.

Target date: March 15, 2012

Recommendation #3: DCFS management ensure that YDS uses the THP Trust Fund only for its intended purpose, and notify the A-C if any shortages occur.

DCFS Response:

We concur.

YDS accounting functions were moved out of the YDS Division and into the centralized DCFS Finance Section in November 2011. The DCFS Finance Section will provide instructions to the THP Trust Fund staff regarding the appropriate use of the THP Trust Fund accounts and specify that any shortages will be reported to the A-C as the initial start of the resolution process.

Target date: February 22, 2012

Recommendation #4: DCFS management ensure DCFS and YDS staff comply with THP fiscal procedures and County Fiscal Manual (CFM).

DCFS Response:

We concur.

DCFS Finance Section and YDS Housing Management Team will review, update and provide THP fiscal procedures and trainings when necessary to all concerned staff to ensure they are in compliance with the County Fiscal Manual.

Target date: February 27, 2012 and ongoing

Recommendation #5: Ensure YDS returns outdated/unneeded gift cards to Headquarters.

DCFS Response:

We concur.

The DCFS Accounting Section and YDS Housing Manager reviewed the Division's gift card inventory and returned all outdated cards to DCFS Headquarters, Finance Section on February 10, 2012.

Target date: Completed

Recommendation #6: Ensure YDS maintains all required controls over gift cards and other cash equivalents.

DCFS Response:

We concur.

The DCFS Accounting Section will conduct reviews of Daily Logs, Monthly Inventory and Monthly Reconciliations for completeness and to assure that all gift cards and other cash equivalents are accounted for. The DCFS Accounting Section will provide training to incoming staff or current staff when necessary about handling negotiables.

Target date: February 22, 2012 and ongoing

Recommendation #7: Ensure THP participants comply with the employment/ education and savings requirements, and take documented action if violations occur.

DCFS Response:

We concur.

The YDS Housing Management will develop and implement a monthly program compliance report for each THP Case Manager to complete and provide to their supervisor and YDS Housing Management for each participant under their supervision. Monthly reviews will take place with the THP Case Manager and YDS Management regarding participants who are experiencing major program compliance issues to determine needed action (including their documentation).

Target date: February 22, 2012 and ongoing

Recommendation #8: Ensure staff document all Life Skills training in the case files and HMIS.

DCFS Response:

We concur.

The YDS Housing Management will develop and implement a monthly program compliance report for each THP Case Manager to complete and provide to their supervisor and YDS Housing Management for each participant under their supervision. Monthly reviews will take place with the THP Case Manager and YDS Management regarding participants who are experiencing major program compliance issues to determine needed action (including their documentation).

Target date: February 22, 2012 and ongoing

Recommendation #9: Ensure staff collect and review paystubs for employed participants each month, verify that participants are contributing the required amount of savings, and keep copies of savings contribution receipts in case files.

DCFS Response:

We concur.

The YDS Housing Management will develop and implement a monthly program compliance report for each THP Case Manager to complete and provide to their supervisor and YDS Housing Management for each participant under their supervision. Monthly reviews will take place with the THP Case Manager and YDS Management regarding participants who are experiencing major program compliance issues to determine needed action (including their documentation).

Target date: February 22, 2012 and ongoing

Recommendation #10: Revise the food allowance policy, as necessary, and ensure that the policy is applied consistently to all participants.

DCFS Response:

We concur.

YDS Housing Management will revise the food allowance policy and keep it current as needed, train all THP Case Managers on the revised policy and provide written notification to THP participants. YDS Management will arrange for all THP Case Managers to have access to the Department of Social Services' (DPSS) Los Angeles County Eligibility, Automated Determination, Evaluation and Reporting (LEADER) System, which will enable case managers to determine the appropriate food allowance for participants based on any CalFresh benefits they may be receiving.

Target date: March 15, 2012 (including LEADER access)

Recommendation #11: Ensure case workers collect and review all food purchase receipts, document their review of the receipts and keep the receipts in case files.

DCFS Response:

We concur.

The YDS Housing Management will develop and implement a monthly program compliance report for each THP Case Manager to complete and provide to their supervisor and YDS Housing Management for each participant under their supervision. Monthly reviews will take place with the THP Case Manager and YDS Management regarding participants who are experiencing major program compliance issues to determine needed action (including their documentation).

Target date: February 22, 2012 and ongoing

Recommendation #12: Ensure exceptions to the maximum program time are justified, approved, and documented in case files.

DCFS Response:

We concur.

The YDS Housing Management developed and implemented an approval form for program overstay on February 6, 2012, which includes a required and detailed justification for the overstay.

Target date: Completed

Recommendation #13: DCFS management review THP caseload distribution, and make any necessary adjustments

DCFS Response:

We concur.

YDS management sent a memo to the Housing Supervisor on February 6, 2012 requiring a weekly review of THP caseload distribution and to take immediate action to ensure equitable distribution of caseload assignments. YDS management will review the caseload distribution on a monthly basis.

Target date: Completed

Recommendation #14: Monitor THP apartments to identify apartments that have been vacant for extended periods, and terminate leases as appropriate.

DCFS Response:

We concur.

YDS management was informed of this issue in late September 2011 and terminated all vacant apartments by the end of October 2011. Policies and protocols were established and released on October 3, 2011 for adherence by all THP staff, to ensure this situation does not happen again as follows: 30 day termination notices to be provided to landlords in advance of a youth's planned leave date or immediately following a youth's unplanned leave.

Target date: Completed

Recommendation #15: Ensure staff complete all sections of the Apartment Inspection Approval form.

DCFS Response:

We concur.

YDS management issued out a memo informing staff that the Apartment Inspection Approval form will require management's signature to ensure its completeness. The Housing County Program Manager (CPM) will monitor compliance by comparing submitted Approved forms with weekly housing status reports provided by the Housing Supervisor.

Target date: Completed

Recommendation #16: Require THP staff to review all annual progress reports to ensure accurate information is reported to LAHSA.

DCFS Response:

We concur.

The YDS Housing Management will implement a data review system for THP staff (including a staff written notification) prior to the Housing Section's submittal of information required for the annual HUD grant progress reports.

Target date: February 22, 2012

Recommendation #17: Determine the cause for the reporting errors and take corrective action as necessary.

DCFS Response:

We concur.

If the data review system in #16 reveals reporting errors, the YDS Housing Management will implement timely corrective actions to ensure the accurate reporting of information.

Target date: February 22, 2012

Transitional Housing Program Plus (THP Plus)

Recommendation #18: Ensure THP Plus contractors document all savings contributions and benefit/allowances on the Monthly Income and Savings Logs, have the participants sign the logs, and document any exceptions (e.g., if a participant could not contribute to savings).

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THP Plus providers in the February monthly meeting and establish this compliance area by revising the technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #19: Ensure YDS staff review the THP Plus contractors' Monthly Income and Savings logs, savings sub-ledgers, and copies of exit checks to ensure youth received all of their savings when they exit the Program.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THP Plus providers in the February monthly meeting and establish this compliance area by revising the technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #20: Ensure that all underpaid THP Plus participants receive their funds.

DCFS Response:

We concur.

YDS management will work with the A-C to determine which audited cases revealed underpayments to youth participants and work directly with the THP Plus providers to provide full restitution.

Target date: March 15, 2012

Recommendation #21: Ensure THP Plus contractors pay actual interest earned on the participants' funds, unless the contractors fund a higher interest rate.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THP Plus providers in the February monthly meeting and develop an 'interest earned for participants' compliance area for upcoming technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #22: Require THP Plus contractors to reimburse the savings account for all overpaid interest.

DCFS Response:

We concur.

YDS management will work with the A-C to determine which audited cases revealed underpayments to youth participants and work directly with the THP Plus providers to provide full restitution.

Target date: March 15, 2012

Recommendation #23: Ensure THP Plus contractors collect all food purchase receipts, document their review of the receipts, and take appropriate documented action when participants purchase disallowed items.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THP Plus providers in the February monthly meeting and establish this compliance area by revising the technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #24: DCFS management ensure THP Plus contractors report their performance for each target and take corrective action with contractors who do not meet their targets.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THP Plus providers in the February monthly meeting and establish this compliance area by revising the technical review instrument used the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Transitional Housing Placement Program (THPP)

Recommendation #25: Ensure THPP contractors complete the Monthly Allowance log, have participants sign the log, and submit a copy to the CPM for review.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THPP providers in the February monthly meeting and monitor this compliance area through technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #26: Require the THPP CPM to conduct documented reviews of the Monthly Allowance logs, and follow up on any discrepancies.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THPP providers in the February monthly meeting and monitor this compliance area through technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #27: Amend the THPP contract to specify whether contractors should prorate participant savings or save the full amount, regardless of when participants enter/exit the program.

DCFS Response:

We concur.

YDS Management will submit a Contract Management Service (CMS) request to modify the existing THPP Statement of Work (SOW) and begin discussions with contractors regarding the need for the amendment.

Target date: February 22, 2012 (CMS request)
February 27, 2012 (Contractors' discussion)
May 2012 Contract Amendment (projected date)

Recommendation #28: Amend the THPP contract to require contractors to use interest-bearing savings accounts, and ensure contractors pay participants the actual interest earned.

DCFS Response:

We concur.

YDS Management will submit a Contract Management Service (CMS) request to modify the existing THPP Statement of Work (SOW) and begin discussions with contractors regarding the need for the amendment.

Target date: February 22, 2012 (CMS request)
February 27, 2012 (Contractors' discussion)
May 2012 Contract Amendment (projected date)

Recommendation #29: Require documented justifications, and approval for participants to stay in THPP for more than 24 months.

DCFS Response:

We concur.

The YDS Housing Management will develop and implement an approval form for program overstay, which includes a required and detailed justification for the over stay. In addition, the Housing Manager will review on a monthly basis the THPP placement status reports to monitor any potential overstay.

Target date: February 22, 2012

Recommendation #30: Ensure THPP contractors collect all food receipts each month, annotate the receipts to document their reviews, and take appropriate documented action when participants purchase disallowed items.

DCFS Response:

We concur.

The YDS Housing Manager and CPM will discuss findings and recommendations with the THPP providers at the February monthly meeting and monitor this compliance area through technical reviews by the CPM. The Housing Manager will review monthly the findings of the technical reviews to ensure corrective action planning (notice, provider response and follow-up) is initiated and completed.

Target date: February 27, 2012

Recommendation #31: DCFS management ensure THPP contractors submit the required annual report, and take appropriate action with contractors who do not meet the Program targets.

DCFS Response:

We concur.

YDS management directed the THPP providers on February 9, 2012 to submit their required annual reports for 2011 by February 21, 2012. Housing management will ensure the CPM initiates the corrective action planning process (notice, provider response and follow-up) if a provider fails to meet the deadline.

Target date: February 21, 2012

Recommendation #32: Remind appropriate staff that the payment-stop date entered in CWS/CMS should always be one day before the placement-end date, and ensure staff maintain all source documents for data entered into CWS/CMS.

DCFS Response:

We concur.

Revenue Enhancement Management will issue a memo which will clarify existing policy and the requirement to maintain all source documents to all eligibility staff.

Target date: February 22, 2012

Recommendation #33: Review the case notes above and recover overpayments as necessary.

DCFS Response:

We concur.

Revenue Enhancement Management will work to with the A-C to review all cases referenced in the audit to begin the overpayment and recovery process.

Target date: February 22, 2012

Recommendation #34: Develop an exception report to identify payments with the same payment-stop and placement-end date, and review the report on an ongoing basis to prevent and recover overpayments.

DCFS Response:

We concur.

Revenue Enhancement Management will submit a Bureau of Information Systems (BIS) request to provide a month exception report, which will be reconciled on a monthly basis.

Target date: February 22, 2012

Recommendation #35: DCFS management ensure that all THPP apartments are approved by Community Care Licensing Division (CCLD), and that participants are not placed in any apartments that have not been approved.

DCFS Response:

We concur.

This should be standard practice for the program. The Housing Manager issued out to the THP CPM on February 9, 2012 instructions that all THPP provider apartments used to house THPP participants are CCLD approved prior to their placement, through direct communication (including email) to the local CCLD representative. The placement authorization approval now requires the signature of the Housing Manager and documentation of the CCLD approval of the apartment.

Target date: Completed

Recommendation #36: DCFS management ensure CPMs to review contractor's monthly allowance logs, savings sub-ledgers, and copies of exit checks to verify that participants received all of their savings when they exit the program.

We concur.

YDS management will issue to CPMs instructions to comply with this recommendation. The Housing Manager will review a monthly report from the CPMs on the contractors' compliance with the above to ensure that the appropriate corrective action plans were initiated and completed.

Target date: February 22, 2012

Recommendation #37: DCFS management ensure the THP Plus and THPP contractor monitoring instruments and monitoring processes are consistent,

County Program Managers (CPMs) formally document all identified issues, review contractors' corrective action plans, and conduct documented follow-up reviews.

DCFS Response:

We concur.

YDS Management will take the following steps: (1) Dedicate specific staff to conduct technical reviews for all YDS contracts (Housing and ILP); (2) Develop and implement a standardized technical review instrument for all contractors; (3) Train all contract monitoring staff on conducting on-site technical reviews and the correction plan planning process (notice, provider response and follow-up reviews); and (4) Establish a schedule of technical reviews (and any needed follow-ups) for each contract year for every provider.

Target date: March 15, 2012



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 9, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES YOUTH
DEVELOPMENT SERVICES DIVISION – PHASE II REPORT (Board
Agenda Item 51-B, June 14, 2011)**

On June 14, 2011, your Board directed the Auditor-Controller to review the Department of Children and Family Services' (DCFS) Youth Development Services Division (YDS). The Board request was based on the discovery that a deceased County employee had taken funds that belonged to some YDS program participants. Due to the number of programs administered by YDS, we completed our review in two phases. We issued our Phase I report, on YDS' Transitional Housing Programs (THP), on March 13, 2012.

This is the Phase II report of our review of YDS. It focused on YDS' Independent Living Program (ILP) and the Administrative Support (YDS Admin) sections. ILP provides financial and other assistance to current/former foster youth, who are 14 to 20 years old, to help them transition to independent living. YDS Admin handles donations, issues scholarships, and administers and monitors ILP Program contractors.

We evaluated controls over ILP assistance payments, donations, scholarships, and gift cards. We also reviewed a sample of ILP participant payment files at YDS, case files at contractor sites, and interviewed YDS and contractor staff and management.

Summary of Findings

Our Phase II review indicates that YDS was not always complying with ILP Program requirements, and that YDS needs to improve its controls over payments, scholarships, gift cards, and ensure that its contractors comply with Program requirements.

The following are examples of areas for improvement:

YDS needs to ensure ILP financial assistance payments are appropriate. For three (10%) of 30 ILP payments reviewed, it appears the participants received more financial assistance than they should have. For example, ILP provides up to \$4,999 in tuition assistance, and its policy states that this assistance should be based on the amount of tuition not covered by other aid. We noted one participant received \$4,999 as full tuition assistance from ILP, even though she received financial aid from other sources that covered all of her school-related expenses.

DCFS' response (attached) indicates they have provided training to YDS staff, and have revised a form to require staff to verify and justify financial assistance requests. YDS will also review a sample of forms monthly to ensure compliance.

YDS needs to improve its controls over its bookstore agreements. YDS has agreements with some college bookstores to allow ILP participants to purchase books and supplies "on account". However, YDS staff do not track the bookstore agreements, and do not verify that the purchases are appropriate before paying the bookstores.

DCFS' response indicates they will reconcile all past and current bookstore agreements, and discontinue the agreements. As an alternative, YDS will allow youth to request cash advances to purchase books, and require the youth to provide receipts for the purchases.

YDS needs to ensure ILP participant Living Plans are complete. ILP staff are required to complete "Living Plans" outlining each participant's needs, education and employment goals, etc. These Plans are the basis for funds the participants receive from ILP. We noted that five (17%) of 30 Living Plans reviewed were incomplete, and did not identify all of the participants' needs.

DCFS' response indicates they have trained their staff on how to complete Living Plans, and that management will review a sample of Living Plans and related documents monthly to ensure compliance.

YDS needs to ensure that ILP participants submit required documents. ILP participants are supposed to return a confirmation letter when they receive a check from DCFS, as well as receipts for purchases made with ILP funds. We noted that 15 (63%) of 24 participants reviewed did not submit confirmation letters, 15 (63%)

did not submit receipts, and that ILP staff did not follow up to obtain any of the missing documents.

DCFS' response indicates that they will maintain a list of participants who are sent checks, and will send reminder notices to participants who do not return the confirmation letters, and follow up as needed. In addition, YDS will confirm that receipts for prior payments are on file before issuing additional financial assistance payments.

YDS needs to ensure contractors comply with Program requirements and performance targets. ILP contractors can give participants incentive payments to attend training classes. We could not verify if five (25%) of 20 participant incentive payments were appropriate, because the contractors did not have attendance logs or did not require participants to sign the logs. We also noted that the contractors did not always meet required performance targets (e.g., 90% of participants improve their educational assessment performance after completing the tutoring program, etc.), and YDS staff did not follow up or initiate documented corrective action.

DCFS' response indicates that they will amend the contracts to require contractors to keep signed attendance logs. YDS also issued corrective action plans for the contractors, covering the past two fiscal years, and will ensure that the contractors address the issues.

DCFS/YDS needs to separate ILP check handling functions, and track returned checks. In our 2003 audit report on ILP, we noted that ILP staff who input payments into the County's accounting system also mailed the checks to participants. This could allow an employee to enter a check, and then keep the check instead of mailing it. ILP has not corrected this issue. The same staff also receive and process checks that are returned as undeliverable, and ILP does not record or track returned checks. While we did not identify any improper transactions, these issues could allow a loss of funds to occur without being detected.

DCFS' response indicates they have separated staff duties to ensure that staff handling checks have no other payment responsibilities. YDS has also developed a log to track returned checks, which will be reviewed by the unit manager each month.

DCFS management should evaluate ILP staff productivity and workload. Our 2003 review noted that ILP staff processed three to ten payment requests per work shift, when they should have been processing at least 24. Our current review indicates that ILP staff were processing an average of five payments per day. We also noted that DCFS/YDS management does not track the number of payments staff process per day, and does not have staff productivity targets.

DCFS' response indicates that they will track staff's payment-related activities, and by December 1, 2012, determine if the current staffing level is appropriate.

DCFS/YDS management will also establish workload standards and address any staff productivity issues.

DCFS management needs to ensure uncashed checks are reviewed timely.

ILP records showed there were 226 uncashed checks payable to participants, totaling approximately \$91,000. Some of the checks had been outstanding for up to five years. These checks were unresolved because YDS staff did not regularly review or cancel uncashed checks. In addition, YDS staff could not tell us if any replacement checks had been issued to the participants. In November 2011, DCFS centralized ILP check processing under the Bureau of Finance and Administration, and began requiring staff to review uncashed checks every 30 days, and follow up on unresolved checks. DCFS should ensure staff are trained on and follow the new procedures.

DCFS' response indicates that they have assigned DCFS Administration to review uncashed checks monthly, and work with ILP coordinators to ensure that appropriate action is taken on uncashed checks. YDS management will monitor this review to ensure compliance.

Details of the results of our review and our recommendations for corrective action are discussed in Attachment I.

Review of Report

We discussed the results of our review with DCFS management on August 2, 2012. The Department's response (Attachment II) indicates general agreement with our findings and recommendations. DCFS' response also describes the corrective actions they have taken, or plan to take, to address the recommendations in our report.

We thank DCFS and YDS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:YK

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Jerry E. Powers, Chief Probation Officer
John F. Krattli, County Counsel
Sachi A. Hamai, Executive Officer, Board of Supervisors
Public Information Office
Audit Committee

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION – PHASE II
INDEPENDENT LIVING PROGRAM AND ADMINISTRATIVE SUPPORT**

Background

On June 14, 2011, your Board directed us to review the Department of Children and Family Services' (DCFS) Youth Development Services Division (YDS). The Board request was based on the discovery that a deceased County employee had taken funds that belonged to some YDS program participants. Due to the number of programs administered by YDS, we completed our review in two phases. We issued our Phase I report, covering YDS' Transitional Housing Programs (THP), on March 13, 2012. Our Phase I review disclosed a number of weaknesses related to YDS' THP, including a \$36,000 trust account balance that should have been returned to former program participants. YDS is actively searching for the former participants who are owed money, and will work with County Counsel to determine the feasibility of transferring the remaining funds to the Children's Trust Fund.

In Phase II of our review, we evaluated YDS' Independent Living Program (ILP) and Administrative Support (YDS Admin) sections. ILP provides financial assistance for tuition, clothing, rent, food, transportation, etc., to eligible youth. YDS Admin handles donations, issues scholarships, administers and monitors Program contractors. YDS Admin formerly included the Program Liaison Evaluation Assistance for Successful Emancipation (PLEASE) Unit, which processes ILP assistance payments to participants. DCFS management transferred oversight of the PLEASE Unit from YDS to DCFS' Bureau of Finance and Administration (DCFS Admin) in November 2011.

Scope

Our review included evaluating controls over ILP assistance payments, donations, scholarships, and gift cards. We also reviewed a sample of participant payment files at YDS and case files at contractor sites; and interviewed YDS and contractor management and staff.

COMMENTS AND RECOMMENDATIONS

Independent Living Program (ILP)

ILP provides financial and other assistance to current/former foster youth, 14 to 20 years old, to help them transition to independent living. ILP has three contractors who provide Life Skills training on topics such as career development, money management, etc. The contractors also conduct assessments, to determine if any clients are below educational standards, and provide tutoring to eligible 14 and 15 year olds. ILP has 59 staff, and a budget of approximately \$21 million. According to YDS management, over 8,000 participants received ILP services in Fiscal Year (FY) 2010-11.

Excessive Financial Assistance

We reviewed a sample of 30 ILP payments, and noted that three (10%) participants may have received more financial assistance than they should have. One participant received aid (grants, loans, etc.) from other sources totaling \$20,737, which covered all of her school-related expenses. ILP provided an additional \$4,999, (the maximum ILP tuition assistance allowed). However, but ILP policy indicates that assistance should be based on the amount of tuition not covered by other aid. Another ILP participant, who lived with a non-ILP eligible roommate, received the full rental cost (\$2,775) of their shared apartment for three months, when the rent should have been pro-rated between the roommates. In the third case, a participant received \$1,730 to purchase a computer, when the Program limit is \$700.

Recommendation

1. **YDS management ensure ILP assistance payments are justified, consistent with Program requirements, and based on documented needs.**

College Bookstore Purchases

YDS issued letters to some college bookstores authorizing some participants to purchase books and supplies "on account", so the participants did not have to wait for a check from the County. Under these arrangements, the bookstores bill YDS for books and supplies.

We noted a number of issues related to these YDS' agreements with the bookstores. For example, YDS could not tell us how many agreements they have entered into, because they do not track them. In addition, we reviewed purchases for four participants, totaling \$2,119, and noted that YDS paid the bookstore invoices without reviewing the receipts and/or verifying that the participants had received the items. YDS also did not maintain required documentation (e.g., participant's written request, school enrollment verification, etc.) justifying the purchases. YDS staff indicated that the documentation had been lost.

YDS also did not always pay the bookstores timely. We noted a \$2,119 invoice from December 2009 was not paid until June 2011, after numerous collection attempts by the bookstore. The bookstore manager indicated that YDS also owed the bookstore \$742 for purchases made in 2007 and 2008. YDS was not aware of the outstanding balance until we brought it to their attention, when they paid it.

We also noted that YDS' letters to the bookstores did not specify when the agreements would end. Without an end date, participants who no longer met the ILP age requirement could make purchases.

Recommendations**YDS management:**

2. **Determine and track the number of bookstore agreements, and ensure that the agreements have an end date.**
3. **Maintain documentation justifying participants' bookstore purchases.**
4. **Ensure bookstore invoices are paid timely, after YDS staff and participants verify the invoices.**
5. **Determine the amount currently owed to bookstores for prior purchases, if any, and make payments after verifying the purchases.**

Payment Documentation and Approvals

We noted a number of instances where ILP payments were not supported by required documentation and/or approvals.

- **Living Plans** - ILP staff are required to complete "Living Plans" for each ILP participant, outlining their needs, education and employment goals, etc. Living Plans must be updated every six months, or sooner if the participants' needs change. ILP payment requests are supposed to be based on the needs identified in the Plans. However, five (17%) of 30 Plans reviewed did not document all of the participants' needs, and we noted instances where the needs did not match the financial assistance requested. In addition, two (7%) Living Plans were not updated for nine and 14 months, respectively.
- **Purchase receipts** - Fifteen (63%) of 24 participants reviewed did not submit receipts for purchases made with ILP funds. Participants who do not submit receipts for purchases totaling more than \$100 are supposed to submit a letter explaining why they could not submit the receipts, or they will not receive any future advances. We noted that YDS did not consistently enforce this policy. For example, three of the 15 participants who did not submit receipts or written explanations, continued to receive ILP payments totaling \$4,700. In addition, we noted five instances where staff inaccurately indicated that receipts had been received in YDS' Emancipation Services/Independent Living Program (ESILP) tracking system, when they were not received.
- **Check receipt confirmation** - Fifteen (63%) of 24 participants did not submit the required letters verifying that they received their assistance checks. We confirmed that 11 (73%) of the participants received their checks, but were unable to contact the other four participants. We noted that YDS staff did not follow up on the missing check receipt confirmation letters.

- **Payment approval** - Three (60%) of five ILP payments that required Division Chief approval (e.g., auto insurance, payments exceeding limits, etc.) were issued without the required approval. For example, a participant received \$1,487 for auto insurance without the required approval.
- **Incomplete supporting documentation** - Seven (23%) of 30 ILP payments did not have all required supporting documentation, such as a written assistance request letter, rental agreement, driver's permit, etc.

Recommendations

YDS management ensure:

6. Living Plans are complete, identify participants' needs, and are updated every six months, or sooner if participants' needs change.
7. ILP participants' payment requests are consistent with the needs identified on their Living Plans.
8. ILP participants submit receipts, and require staff to follow up and consistently apply ILP policy to stop future advances if participants do not comply.
9. Staff accurately document purchase receipts in ESILP.
10. ILP participants submit the check receipt confirmation letters, and require ILP staff to follow up on missing letters.
11. ILP payments are properly approved, and maintain appropriate documentation for each ILP payment.

Recordkeeping/Data Input Errors

We reviewed database entries for 14 participants who received ILP services, and noted that data for nine (64%) of them was entered incorrectly in various systems and/or forms, including the Child Welfare Services/Case Management System (CWS/CMS), ESILP, etc. For example, in three (21%) cases, ILP payments were recorded under the wrong participants' names in ESILP. It appears these were undetected data input errors, which YDS staff corrected after we brought them to staff's attention.

Recommendation

12. YDS management ensure participant information is entered correctly in databases and forms.

Staff Attendance Verification

YDS has Transition Coordinators (TC) and Community Workers (CW) located at ten Transition Resource Centers (TRC) and 18 regional offices throughout the County. TCs and CWs meet with ILP participants to assess their needs and provide employment, education, and housing related resources; meet with Children's Social Workers (CSWs) to obtain referrals for youth to attend Life Skills training and tutoring; and attend community events (e.g., job fairs) to share information with youth, etc.

During our Phase I review, several youth we interviewed indicated they had difficulty contacting their TC. During Phase II, we made unannounced visits to four locations (one TRC and three regional offices), and noted that three (50%) of the six TCs and CWs we attempted to visit were not at their assigned work locations. We learned that two of the TCs had reported to alternate work locations, one without notifying her supervisor. To ensure staff are available to assist ILP participants, YDS needs to ensure that staff report to their assigned work locations, and that supervisors approve work schedule/location changes in advance.

The remaining employee's supervisor told us that the employee was out sick on the day of our visit. However, we noted the employee claimed to be working that day on her official timecard. CWs' timecards are reviewed by their immediate supervisor, and submitted to a Children's Services Administrator (CSA) II at YDS Headquarters for approval. In this case, the CSA II who approved the timecard told us that neither the employee nor her supervisor reported the absence, and she learned about it from our audit. DCFS subsequently required the CW to correct her timecard.

YDS needs to ensure staff work hours are accurately reported, tracked, and verified by a supervisor who can attest to the accuracy of the reported time. DCFS also needs to remind staff that they must accurately report their time, and take appropriate administrative action if staff do not comply.

Recommendations**YDS management:**

13. **Ensure staff report to their assigned work locations, and that a supervisor approves any changes to staff schedules/work locations in advance.**
14. **Ensure staff work hours are accurately reported, tracked, and verified by their supervisors, and timecards are approved by a supervisor who can attest to their accuracy.**
15. **Remind staff of the requirement to accurately report their time, and take appropriate administrative action if staff do not comply.**

Administrative Support (YDS Admin)

YDS Admin administers and monitors Program contracts, handles donations, issues scholarships, etc. YDS Admin has 14 staff.

Life Skills Training and Tutoring Contractor Program Compliance

YDS contracts with three providers for Life Skills training and tutoring. Eligible ILP participants can receive training on topics such as career development, money management, etc. If participants complete ten three-hour classes, they receive a \$100 incentive from the contractor. The contractors also provide educational assessments, and up to 50 hours of tutoring.

We reviewed a sample of 20 Life Skills training and five tutoring case files, and noted the following:

- **Participant attendance** – For five (25%) of 20 case files reviewed, we were unable to verify if the participants attended all Life Skills training classes because the contractors could not provide all attendance logs, or did not have participants sign the logs. Without proper attendance records, YDS cannot ensure that contractor billings are accurate. We noted that the Life Skills Training and Tutoring contract does not specifically require contractors to maintain attendance logs or have the participants sign them. YDS should consider revising the contract to improve the documentation.
- **Maximum tutoring hours** – For one (20%) of five tutoring case files reviewed, a contractor billed for 53 hours of tutoring to a single participant, which exceeded the 50-hour maximum. The contractor did not obtain YDS approval for the overage, and it was not questioned by YDS staff. Since contractors bill YDS for actual services provided, this overage would have resulted in additional costs to the Department. YDS should ensure that contract monitoring staff review supporting documents before paying invoices, and that contractors do not exceed service limits without prior approval.

Recommendations

YDS management:

16. Consider amending the Life Skills Training and Tutoring contracts to require contractors to keep signed attendance sheets.
17. Ensure contractors do not exceed the maximum of 50 tutoring hours for each participant, without prior YDS approval.

Contract Monitoring

YDS' County Contract Manager (CCM) is responsible for communicating contract requirements to the contractors; reviewing/approving contractor invoices; and monitoring performance, including an annual review of contractors' case files and personnel files. The CCM's annual review ensures that contractors are providing the required services (e.g., education assessments, tutoring, Life Skills training, etc.), maintaining required documentation, etc.

- **Performance targets** - The Life Skills Training and Tutoring contract requires contractors to meet certain targets (e.g., 90% of the participants will complete Life Skills training classes). We reviewed the contractors' annual performance reports for FY 2010-11, and noted that seven (54%) of 13 performance targets were not met by all contractors, including three targets (23%) that were not met by any of the contractors. For example, none of the contractors met the target requiring 90% of participants to improve their educational assessment performance after completing the Tutoring program.

The CCM indicated she verbally discusses performance shortfalls with contractors during monthly meetings and/or teleconferences, but does not prepare formal corrective action plans. YDS should revise the contract to require contractors to submit formal corrective action plans, and require the CCM to conduct documented follow-up reviews.

- **Billing reviews** - Life Skills Training and Tutoring contractors bill YDS for actual training costs (e.g., staff salaries, indirect costs, such as office space, etc.). Although the CCM and her staff conduct documented monitoring reviews of the contractors' personnel and participant case files annually, they do not review supporting documentation (e.g., general ledger, receipts, etc.) for the costs billed. We reviewed a sample of one contractor's supporting documentation, and did not find any discrepancies. However, YDS should revise the contract monitoring process to review contractors' costs, to ensure accurate billing.

Recommendations**YDS management:**

18. **Require Life Skills Training and Tutoring contractors to submit corrective action plans for performance shortfalls, and require the CCM to conduct documented follow-up reviews.**
19. **Revise the contract monitoring process to require a review of contractors' supporting documentation to ensure accurate billing.**

Scholarships

In May 1995, DCFS established a Scholarship Program to help pay for educational expenses for current/former foster youth between 17 and 24 years old. The scholarships, funded by ILP and private donors, vary between \$500 and \$15,000 per recipient, and include both one-time and on-going awards, up to a specified amount.

The YDS Scholarship Unit (Scholarship Unit), consisting of a Children Services Administrator II and an Administrative Assistant II, administers the Scholarship Program. The Scholarship Unit verifies participant eligibility requirements; receives, deposits, and issues receipts for donations; receives and processes scholarship requests from TCs; issues scholarship checks to participants; and reconciles the scholarship trust funds. During FY 2010-2011, the Scholarship Unit issued approximately \$264,000 to 222 participants.

We noted a number of areas where the Scholarship Unit did not comply with County Fiscal Manual (CFM) controls over cash handling, disbursements, and separation of duties. For example, one Scholarship Unit employee receives donations, issues receipts, issues scholarship checks, and reconciles the trust funds. While we did not find any inappropriate transactions, this lack of separation of duties could allow a loss of funds to occur without being detected.

We also noted that staff also do not secure or account for donations received through the mail. We noted checks were left unattended in the mailroom, which is accessible by all YDS staff. After we brought these issues to management's attention, DCFS transferred responsibility for receiving, receipting, and depositing scholarship donations to DCFS Admin.

We reviewed five donation deposits, and noted that four (80%), ranging from \$600 to \$20,000, were not deposited timely. For example, one \$20,000 donation was deposited three workdays late, and a \$600 donation was deposited eight workdays late.

Recommendations

YDS management:

- 20. Ensure the functions of receiving, depositing, accounting, and reconciling donations are properly separated.**
- 21. Ensure donations are deposited timely.**

Controls over Gift Cards

YDS ILP purchased \$3,550 of gift cards in FY 2010-11 as incentives for youth participating in DCFS events. We noted similar issues with controls over gift cards as noted in our Phase I review. Specifically, ILP's gift card inventory logs were either

missing or incomplete/inaccurate, not reconciled to inventory and disbursement records, and not reviewed by management, etc. ILP also did not always require recipients to sign for the gift cards they received, and did not return unused gift cards, purchased in 2009, to DCFS headquarters, as required. As a result, we could not determine if all gift cards were used appropriately.

Based on the incomplete inventory information available, it appears that six gift cards, totaling \$150, were unaccounted for. We also noted that the safe used to store gift cards had not been inventoried in over two years. The CFM indicates that safes should be inventoried every six months.

Recommendations

DCFS management:

- 22. Ensure unneeded gift cards are returned to DCFS headquarters.**
- 23. Ensure gift card logs are accurate and complete, reconciled to inventory and disbursement records, and reviewed periodically.**
- 24. Require gift card recipients sign the gift card log to document receipt.**
- 25. Inventory safe contents every six months.**

PLEASE Unit

PLEASE Unit staff process payments to ILP participants, which includes entering approved payment requests in eCAPS; copying/filing payment documents; distributing warrants, and researching uncashed checks; etc. The PLEASE Unit has three DCFS employees and one Probation staff, who processes payments to current/former Probation juveniles. As indicated earlier, DCFS management transferred oversight of the PLEASE Unit from YDS to DCFS Admin in November 2011.

We reviewed the PLEASE Unit's operations and ILP payments, and noted the following:

ILP Check Handling

Our 2003 audit indicated that the ILP staff who input payments into the County's accounting system also mailed checks to participants, which is a serious internal control weakness. In our current review, we noted that DCFS has not corrected the issue; the same staff continue to perform both functions. Most County checks are mailed directly to the payee by the Auditor-Controller's Disbursements Division (Disbursements). However, DCFS requested that the PLEASE Unit receive the ILP checks from Disbursements, so the Unit can include the check receipt confirmation letters before mailing the checks. While this is allowable, staff with no other check issuing responsibilities should receive and mail the checks.

In addition, the PLEASE Unit receives and processes undeliverable checks returned by the Post Office, and ILP does not log or track returned checks. These issues, combined with the other control weaknesses noted earlier (e.g., the lack of follow up on missing check receipt confirmation letters, failure to obtain purchase receipts, etc.), could allow ILP payments to be misappropriated without being detected. DCFS needs to take immediate action to separate check handling duties.

Recommendations

DCFS management:

- 26. Ensure that staff with no other check issuing responsibilities receive and mail ILP checks.**
- 27. Ensure undeliverable checks are returned to, and investigated by, staff with no other payment responsibilities.**
- 28. Ensure staff log undeliverable checks, and document the follow up.**

ILP Payment Processing Productivity

Our 2003 review also noted payment delays due to low staff productivity. Specifically, we noted that each staff person only processed between three to ten payment requests per day, when they should have been processing at least 24 requests per day. We recommended the Department establish minimum daily production targets.

Our current review disclosed that DCFS management does not track the number of payments processed, and does not have minimum daily production targets. We reviewed the number of payments processed in 2011 and noted that, on average, staff only processed five payments per day.

During our review, we observed a PLEASE Unit employee using a County computer and Internet for personal use on several occasions. We referred this matter to the Office of County Investigations for review. DCFS/Probation management should evaluate the PLEASE Unit workload to determine if the current staffing level is justified.

Recommendations

DCFS/Probation management:

- 29. Track the number of ILP payments processed, set minimum daily production targets, and evaluate staff productivity to determine if the current staffing level is appropriate.**
- 30. Remind employees that County IT resources should only be used for official business.**

Uncashed Checks

We noted that PLEASE Unit staff do not regularly review, follow up, and/or cancel uncashed checks. As a result, the Unit has 226 uncashed ILP checks, totaling approximately \$91,000, some of which have been outstanding for up to five years. In addition, staff could not tell us why the checks were outstanding, or if they had been re-issued to participants.

In November 2011, DCFS centralized the PLEASE Unit functions under DCFS Admin, and implemented procedures requiring staff to review uncashed checks every 30 days, and follow up on unresolved checks. DCFS should ensure staff comply with the new procedures, and cancel uncashed checks timely.

Recommendation

31. DCFS management ensure staff review uncashed checks each month and take appropriate action (e.g., re-issue, cancel, etc.), as necessary.



PHILIP L. BROWNING
Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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August 31, 2012

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

To: Wendy L. Watanabe
Auditor-Controller

From: Philip L. Browning
Director

A handwritten signature in dark ink, appearing to be "P. Browning", written over the printed name of Philip L. Browning.

**RESPONSE TO THE AUDITOR-CONTROLLER'S REVIEW OF YOUTH DEVELOPMENT
SERVICES DIVISION - PHASE II REPORT**

Attached you will find our responses to the findings and recommendations contained in your draft report regarding the Department of Children and Family Services (DCFS) Youth Development Services (YDS) Division. We appreciate the audit staff's professionalism and objectivity during the Phase II review process.

If you have any questions, please call me or your staff may contact Rhelda Shabazz, Deputy Director, Bureau of Strategic Management, at (213) 351-5858.

PLB:RRS
HK:lj

Attachment

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION – PHASE II
INDEPENDENT LIVING PROGRAM AND ADMINISTRATIVE SUPPORT**

Department Responses

Recommendation #1: YDS management ensure ILP assistance payments are justified, consistent with Program requirements, and based on documented needs.

DCFS Response

We concur.

On August 16, 2012, YDS management has trained all Independent Living Placement Transition Coordinators (ILP TCs) and their supervisors on meeting the ILP Policy requirements regarding documented justification of unmet needs. The required Request for Funds (RFF) form has been revised so that staff will be required to both verify and submit all documentation justifying the submitted request. Without such verification and upon review by the supervisory/management level, the request shall be denied and sent back to the ILP TC for resubmittal. YDS management will do a monthly audit of randomly selected RFFs to monitor compliance of all levels of staff.

Target date: Completed.

Recommendation #2: YDS management determine and track the number of bookstore agreements, and ensure that the agreements have an end date.

DCFS response

We concur.

YDS management will reconcile all past and current bookstore agreements and provide a written notification of an agreement end date to the bookstore.

Target date: October 15, 2012

Recommendation #3: YDS management maintain documentation justifying participants' bookstore purchases.

DCFS Response

We concur.

DCFS YDS Phase II Review
Page 2

This will be part of YDS' reconciliation of all past bookstore agreements, as effective August 7, 2012, all ILP TC were informed in writing that bookstore agreements were no longer allowed as an ILP Policy practice and that any past or current bookstore agreement invoices must justify the youth need. As an alternative, youth will be allowed to request book advances per semester or quarter and must provide the receipts for any additional book advances.

Target date: October 15, 2012

Recommendation #4: YDS management ensure bookstore invoices are paid timely, after YDS staff and participants verify the invoices.

DCFS Response

We concur.

This recommendation will apply to YDS' reconciliation of past bookstore agreements. As of August 7, 2012, bookstore agreements will no longer be an ILP Policy practice.

Target date: October 15, 2012

Recommendation #5: YDS management determine the amount currently owed to bookstores for prior purchases, if any, and make payments after verifying the purchases.

DCFS Response

We concur.

YDS management will reconcile all past and current bookstore agreements to determine and provide payment on any past due amounts owed to them.

Target date: October 15, 2012

Recommendation #6: YDS management ensure Living Plans are complete, identify participants' needs, and are updated every six months, or sooner if participants' needs change.

DCFS Response

We concur.

The required Request for Funds (RFF) forms has been revised to include verification by the ILP TC that the RFF services/supports are reflected in an updated Living Plan. If

DCFS YDS Phase II Review
Page 3

the RFF does not have this designation, the RFF will not be approved and sent back to the ILP TC to complete properly. This was covered in the August 16, 2012 mandatory training for all ILP TCs and their supervisors. YDS management will do a monthly audit of randomly selected RFFs to monitor compliance of all levels of staff.

Target date: Completed.

Recommendation #7: YDS management ensure ILP participants' payment requests are consistent with the needs identified on their Living Plans.

DCFS Response

We concur.

The required Request for Funds (RFF) form has been revised to include verification by the ILP TC that the RFF request services/supports are reflected in an updated Living Plan. If the RFF does not have this designation, the RFF will not be approved and sent back to the ILP TC to complete properly. This was covered in the August 16, 2012 mandatory training for all ILP TCs and their supervisors.

Target date: Completed.

Recommendation #8: YDS management ensure ILP participants submit receipts, and require staff to follow up and consistently apply ILP policy to stop future advances if participants do not comply.

DCFS Response

We concur.

The required Request for Funds (RFF) has been revised for ILP TCs to document (verify) that prior requests for ILP services and supports are on file. If this section of the RFF is not checked, the supervisor will deny the request and send back for the ILP TC until the compliance has been met.

Target date: Completed.

Recommendation #9: YDS management ensure staff accurately document purchase receipts in ESILP.

DCFS Response

We concur.

DCFS YDS Phase II Review
Page 4

DCFS management will issue out a reminder to staff about the importance of accurately recording information in the ESILP. Supervisory staff will periodically review a random sample of ESILP entries to assess compliance to the reminder and to determine training needs of staff.

Target date: September 15, 2012

Recommendation #10: YDS management ensure ILP participants submit the check receipt confirmation letter, and require ILP staff to follow up on missing letters.

DCFS Response

We concur.

The PLEASE unit will provide a designated ILP staff with a listing of participants who have been sent their checks and check receipt confirmation letters. The ILP staff will monitor and contact participants through formal reminder notices to all participants. A final reminder notice will be sent to participants who do not respond in a timely manner that the failure to comply with receipt confirmation letter will result in no subsequent ILP service and resource requests being approved. The listings will be monitored by YDS management to ensure full compliance by ILP staff.

Target date: September 15, 2012

Recommendation #11: YDS management ensure ILP payments are properly approved, and maintain appropriate documentation for each ILP payment.

DCFS Response

We concur.

YDS' management staff (Children Services Administrator IIIs) were provided with the following instructions. Unless designated by the Division Chief to do so in his/her absence, no management staff has the authority to sign: (1) on behalf of the Division Chief or (2) sign as the appropriate authority level.

The Request for Funds (RFF) form has been revised to require that the ILP TC provide verification and appropriate documentation to support each ILP payment request. The supervisor will not approve the request if such verification and documentation is not provided. All ILP staff were informed and trained on these protocols on August 16, 2012. YDS management (CSA III) will do a monthly audit of randomly selected RFFs to monitor compliance of all levels of staff.

Target date: Completed.

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Recommendation #12: YDS management ensure participant information is entered correctly in databases and forms.

DCFS Response

We concur.

The ESILP entry of RFF ILP services is done by the PLEASE unit. The ILP TC will ensure that all of the information provided by the youth as part of the completion of the RFF package is checked against the CWS/CMS system to ensure accuracy. This was part of the mandatory August 16, 2012 Auditor-Controller (A-C) findings training for ILP TCs and their supervisors. YDS management and PLEASE unit management will do reviews of randomly selected RFFs and entries into ESILP to determine any additional needed training or focus on this issue.

Target date: Completed

Recommendation #13: YDS management ensure staff are reporting to their assigned work locations, and that a supervisor approves any changes to staff schedules/work locations in advance.

DCFS Response

We concur.

DCFS and Probation YDS management issued an all-staff memo on August 7, 2012 regarding this employee responsibility and the ensuing administrative action that will take place when non-compliance is discovered. Training on this issue was provided to all outstation staff on August 16, 2012.

Target date: Completed.

Recommendation #14: YDS management ensure staff work hours are accurately reported, tracked, and verified by their supervisors, and timecards are approved by a supervisor who can attest to their accuracy.

DCFS Response

We concur.

DCFS and Probation YDS management issued an all-staff memo on August 2, 2012 regarding this employee responsibility and the ensuing administrative action that will take place when non-compliance is discovered. Training on this issue was provided to all outstation staff on August 16, 2012.

Target date: Completed.

Recommendation #15: YDS management remind staff of the requirement to accurately report their time, and take appropriate administrative action when staff do not comply.

DCFS Response

We concur.

DCFS and Probation YDS management issued an all-staff memo on August 2, 2012 regarding this employee responsibility and the ensuing administrative action that will take place when non-compliance is discovered. Training on this issue was provided to all outstation staff on August 16, 2012.

Target date: Completed.

Recommendation #16: Consider amending the Life Skills Training and Tutoring contracts to require contractors to keep signed attendance sheets.

DCFS Response

We concur.

DCFS will amend the contracts to require contractors to keep signed attendance sheets for both services.

Target date: December 1, 2012

Recommendation #17: Ensure contractors do not exceed the maximum of 50 tutoring hours for each participant, without prior YDS approval.

DCFS Response

We concur.

YDS informed the contractors in writing on August 10, 2012 of the need to comply with the maximum of 50 hours for each participant and that YDS approval is needed prior to exceeding the maximum number of hours.

Target date: Completed.

Recommendation #18: YDS management require Life Skills Training and Tutoring contractors to submit corrective action plans for performance shortfalls, and require the CCM to conduct documented follow-up reviews.

DCFS Response

We concur.

As a result of the A-C audit, YDS has issued corrective action plans (CAPs) for the past two fiscal/program years regarding performance shortfalls. Subsequent on-site technical reviews (quarterly) by YDS staff will cover the provider's designated CAP responses. Should any provider fail to meet their CAP responses for improvement, YDS will initiate all necessary next steps to rectify the CAP identified issues, including termination of the contract.

Target date: Completed.

Recommendation #19: YDS management revise the contract monitoring process to require a review of contractors' supporting documentation to ensure accurate billing.

DCFS Response

We concur.

Effective April 2012, YDS Contract Monitoring Process and Tool has been enhanced and utilized for the quarterly Technical Reviews for all providers. The enhancements require a specific review of each contractor's supporting documentation to ensure accurate billing. The technical reviews executed thus far have not resulted in any financial discrepancies.

Target date: Completed.

Recommendation #20: YDS management ensure the functions of receiving, depositing, accounting, and reconciling donations are properly separated.

DCFS Response

We concur.

On April 5, 2012, YDS management met with the Bureau of Finance Administration (BFA) staff and established a new donation receipt system that addresses the need for a separation of duties for the unit. All donations by donors are sent directly to BFA central finance section which receives all donations. Donors are instructed to designate

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on their checks or money orders, the deposit account information for the scholarship program.

Target date: Completed.

Recommendation #21: YDS management ensure donations are deposited timely.

DCFS Response

We concur.

Effective April 5, 2012, donations are no longer received by the Scholarship unit. All donors are instructed to send their checks and/or money orders to the central BFA accounts receivable unit. The accounts receivable unit requires that deposits received are deposited on the same day received. The unit also has specific separation of duties and monitoring/control systems to ensure timeliness and accountability over this function.

Target date: Completed.

Recommendation #22: DCFS management ensure unneeded gift cards are returned to DCFS headquarters.

DCFS Response

We concur.

All unneeded gift cards were inventoried returned to DCFS BFA on February 14, 2012 and subsequent semi-annual inventories (last one done in July 2012) ensured that unneeded gift cards were not procured.

Target date: Completed.

Recommendation #23: DCFS management ensure gift card logs are accurate and complete, reconciled to inventory and disbursement records, and reviewed periodically.

DCFS Response

We concur.

The PLEASE unit manager maintains the gift card logs procured through YDS, and the logs are now monitored and reviewed independently on a monthly basis by central

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Bureau of Finance Administration (BFA) staff. The monthly review ensures the logs are accurate, completed and reconciled to inventory and disbursement records.

Target date: Completed.

Recommendation #24: DCFS management require gift card recipients sign the gift card log to document receipt.

DCFS Response

We concur.

The PLEASE unit has developed a tracking and log system that would require gift card recipients to sign a gift card log. However, as a result of the audit, as of early 2012, YDS no longer procures gift cards as an incentive for foster youth participation in ILP education, information and training events. Instead, upon completing the event, the youth will be required to submit in a RFF for the incentive bonus, up to a maximum of \$50, to be mailed directly to the youth. This policy and protocol were explained to all ILP staff at the August 16, 2012 training.

Target date: Completed.

Recommendation #25: DCFS management inventory safe contents every six months.

DCFS Response

We concur.

This was implemented in 2012 when a safe inventory was completed in January 2012 and again in July 2012. This inventory cycle will continue January and July of every subsequent fiscal year.

Target date: Completed.

Recommendation #26: DCFS management ensure that staff with no other check issuing responsibilities receive and mail ILP checks.

DCFS Response

We concur.

As of June 2012, the PLEASE unit established a separation of duties where staff who handle warrants have no requesting or payment processing responsibilities. A back-up

BFA staff has been identified and trained to ensure the separation of duties in a staffing emergency.

Target date: Completed.

Recommendation #27: DCFS management ensure undeliverable checks are returned to and investigated by staff with no other payment responsibilities.

DCFS Response

We concur.

The PLEASE unit's separation of duties detailed in Recommendation #26, ensures that undeliverable checks are handled by staff with no other payment responsibilities.

Target date: Completed.

Recommendation #28: DCFS management ensure staff log undeliverable checks, and document the follow up.

DCFS Response

We concur.

The PLEASE unit manager has ensured that staff logs are kept on undeliverable checks, which includes the documentation on the follow-up action needed. Monthly reviews of the logs will be done by the manager to ensure the logs are timely and appropriately maintained and that all undeliverable checks are finally accounted for.

Target date: Completed.

Recommendation #29: DCFS/Probation management track the number of ILP payments processed, set minimum daily production targets, and evaluate staff productivity to determine if the current staffing level is appropriate.

DCFS Response

We concur.

The PLEASE unit management has instituted and maintains a daily tracking log of workload production for the months of June and July. As these are historically acknowledged as high months of ILP payment submittals and processing, the PLEASE unit management will continue to track the workload production activities for the unit staff and by December 1, 2012, fully assess the staffing need for the PLEASE and

implement any needed changes or enhancements to address the needs assessment of current staff. The established workload standards will then be utilized to ensure that every employee workday has sufficient amount of work (in and out of the unit) to justify their item. Any productivity concerns regarding specific employees will be addressed through the Department's performance management improvement process.

Target date: December 1, 2012

Recommendation #30: YDS/Probation management remind employees that County IT resources should only be used for official business.

DCFS Response

We concur.

DCFS/Probation YDS management issued an all-staff memo on August 2, 2012, reminding staff that County IT resources are for official business only and that any misuse can result in administrative action. Training on this issue was provided to all outstation staff on August 16, 2012.

Target: Completed.

Recommendation #31: DCFS management ensure staff review uncashed checks each month and take appropriate action (e.g., re-issue, cancel, etc.), as necessary.

DCFS Response

We concur.

The PLEASE unit currently reviews the listings on a monthly basis and takes action to rectify each check situation by contacting the ILP TC assigned to the youth, for the purpose of determining the appropriate action based on the feedback by the ILP TC. YDS management will monitor the monthly reviews to ensure that the PLEASE unit is provided timely the information from the ILP TCs to ensure the appropriate action is taken for every uncashed checks.

Target date: October 1, 2012